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BEFORE THE ARIZONA CORPORATION C

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Arizona Corporation Commission

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AZ CORP COMMISSION
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COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF:

RAYMOND R. PUGEL AND JULIE B. PUGEL AS
TRUSTEES OF THE RAYMOND R. PUGEL AND
JULIE B. PUGEL FAMILY TRUST, and ROBERT
RANDALL AND SALLY RANDALL,

Complainants,

v.

PINE WATER COMPANY,

Respondent.

DOCKET NO. W-03512A-06-0407

ASSET TRUST MANAGEMENT, CORP.

Complainant,

v.

PINE WATER COMPANY,

Respondent.

DOCKET NO. W-03512A-06-0613

JAMES HILL and SIOUX HILL, husband and wife as
trustees of THE HILL FAMILY TRUST,

Complainant,

v.

PINE WATER COMPANY,

Respondent.

DOCKET NO. W-03512A-07-0100

BRENT WEEKES,

Complainant,

v.

PINE WATER COMPANY,

Respondent.

DOCKET NO. W-03512A-07-0019

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SUPPLEMENTAL

TESTIMONY

OF

**STEVEN M. OLEA
ASSISTANT DIRECTOR
UTILITIES DIVISION**

PINE WATER COMPANY

**DOCKET NOS. W-03512A-06-0407
W-03512A-06-0613
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JULY 30, 2007

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Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

RAYMOND R. PUGELA ND JULIE B. PUGEL
AS TRUSTEES OF THE RAYMOND R. PUGEL
AND JULIE B. PUGLE FAMILY TRUST, and
ROBERT RANDALL AND SALLY RANDALL,

Complainant,

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SUPPLEMENTAL TESTIMONY

OF

STEVEN M. OLEA

ASSISTANT DIRECTOR

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. PURPOSE	1
III. DISCUSSION	1

I. INTRODUCTION

Q. Please state your name and business address.

A. Steven M. Olea, 1200 West Washington Street, Phoenix, Arizona, 85007.

Q. By whom and in what capacity are you employed?

A. I am employed by the Arizona Corporation Commission ("Commission") as an Assistant Director for the Utilities Division.

Q. Are you the same Steve Olea that has previously provided Utilities Division Staff ("Staff") testimony in this docket?

A. Yes.

II. PURPOSE

Q. What is the purpose of this testimony in this case?

A. The purpose of my testimony is to provide a minor correction to my previously filed testimony and to also present some background information to the Commission regarding the water situation in the Pine, Arizona area.

III. DISCUSSION

Q. What is the correction you would like to provide?

A. On Page 6, line 9, of my previous testimony, the "0.02" should be "0.20".

Q. What is your background experience with the Pine-Strawberry area, in terms of issues, before the Commission?

A. I have been involved with water issues on and off in this area for over 20 years.

1 **Q. Have you previously provided testimony regarding water availability in the Pine-**
2 **Strawberry area?**

3 A. Yes, in several cases.

4
5 **Q. Can you summarize what your testimony has been?**

6 A. There have been many issues, but the one most pertinent to this case would be the water
7 supply issue. My testimony, on behalf of Staff, has been about the lack of water
8 availability in the area. This testimony was based on information available at the time and
9 discussions with the water supply experts at the Arizona Department of Water Resources
10 ("ADWR").

11
12 **Q. Were you involved in producing testimony for the Commission which was used in the**
13 **Commission's imposition of the various moratoria that have been imposed in that**
14 **area over the years?**

15 A. Yes, as well as other members of Staff.

16
17 **Q. Can you briefly summarize the procession of moratoria on connections that took**
18 **place?**

19 A. Based on the research done for this case, prior to 1989 there was no moratorium. The
20 following is a list of Commission Decisions Staff could find that dealt with the moratoria:

- 21
22 1. Decision No. 56539, July 12, 1989 - total moratorium on connections was
23 imposed.
24
25 2. Decision No. 56654, October 6, 1989 – main extensions were added to total
26 moratorium.
27
28 3. Decision No. 57047, August 22, 1990 – moratorium was modified to allow
29 5 connections per month; main extensions were not addressed.
30

- 1 4. Decision No. 64400, January 31, 2002 – moratorium was modified to allow
- 2 25 connections per month; main extensions were allowed if customer
- 3 provided water.
- 4 5. Decision No. 65435, December 9, 2002 – applicability was clarified such
- 5 that moratorium applied to all Brooke Utilities, Inc. water systems in Pine,
- 6 Arizona (no changes were made to the moratorium itself).
- 7
- 8 6. Decision No. 67823, May 5, 2005 – moratorium is reduced to 2 connections
- 9 per month which was later reduced to zero on May 1, 2006 (Staff's opinion
- 10 is that the moratorium on main extensions remained the same as delineated
- 11 in Decision No. 64400).
- 12

13 **Q. What factors led Staff to believe that a moratorium was necessary?**

14 A. Primarily the lack of water production by Pine Water Company. This lack of production
15 led to water shortages and outages during peak times. Calculations using water
16 production figures and water usage figures in the late 1980s and early 1990s indicated that
17 Pine Water Company had enough water production capacity to adequately serve about
18 half its customers during peak times. (It should be noted that at that time Pine Water
19 Company was actually E&R Water Company and was not yet owned by Brooke Utilities,
20 Inc.) In addition, all the information available to Staff from ADWR at the time indicated
21 that there was no large water supply available in the Pine/Strawberry area for Pine Water
22 Company.

23

24 **Q. What potential harms or difficulties to the public did Staff foresee that led Staff to**
25 **believe a moratorium was necessary?**

26 A. Without proper and adequate water service, the health and safety of the public is at issue.
27 People need water for drinking, cleaning, cooking, etc. In addition, if there is enough
28 water, it can also be used for fire suppression.

29

30 **Q. In what way does Staff believe a moratorium would prevent these potential harms?**

1 A. A moratorium does not prevent these harms. A moratorium is only recommended by Staff
2 as a last resort. Usually by the time a moratorium is implemented by the Commission a
3 water system is in a situation where water service is improper or inadequate. The purpose
4 of the moratorium is to prevent that type situation from becoming even worse.

5
6 **Q. Is it Staff's position that a moratorium on service connections also prohibits a CC&N**
7 **(Certificate of Convenience and Necessity) holder from entering into main extension**
8 **agreements?**

9 A. It can. However, in the instant case, Commission Decision No. 64400 allowed Pine Water
10 Company to enter into main extension agreements as long as the applicant supplied an
11 adequate water source. It is Staff's opinion that no subsequent Commission decision
12 eliminated that allowance.

13
14 **Q. What is the difference between connections and main extensions that justifies this**
15 **difference?**

16 A. A connection is one that does not require a main extension but simply requires the
17 installation of a service line and meter at the property to be served. For a connection,
18 there is not a Commission rule that allows a water system to require the applicant
19 requesting service to also pay for or provide a source of water. A main extension is one
20 that requires a water main to be installed up to the property to be served before service can
21 be provided (i.e., before a service line and meter can be installed). Arizona
22 Administrative Code R14-2-406.B.1 allows a water system to require an applicant for a
23 main extension to provide or pay for more than just the actual pipe. This rule also allows
24 the water system to require the applicant for service to pay for any additional plant (e.g.,
25 source, storage, pressure, etc.) necessary to properly and adequately serve the applicant.
26

1 **Q. Does this conclude this portion of your testimony?**

2 **A. Yes, it does.**